TD Economics

State Economic Forecast

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New England

- Growth in the New England economy averaged an estimated 2.2% over the last two years (2018 and 2019), but is forecast to slow to 1.7% next year and 1.6% in 2021 as labor market constraints become more binding. Massachusetts and New Hampshire are expected to outperform, thanks to their high-tech tilt and better population growth. The former is projected to move in line with the U.S. at 2.0% in 2020 and 1.9% in 2021, while the latter will follow closely behind. A softer demographic backdrop will keep growth closer to the 1%-mark in Connecticut, Rhode Island, Maine and Vermont. Still, a heavy defense tilt among some of these states will lend a helping hand to their factory sectors.

Middle Atlantic

- The Mid-Atlantic region appears to have bucked the national deceleration trend in growth this year, with the regional economy estimated to have advanced at 1.9% in 2019, roughly on par with the year prior. It is expected to slow over the forecast horizon, with real GDP growth of 1.4% in 2020 and 1.2% in 2021. Weak population growth is part of ongoing underperformance vis-à-vis the nation. Other, elements that are poised to contribute to the region's moderate growth profile over the next several quarters include elevated out-migration and struggling housing markets in New York, and a soft energy-price environment for Pennsylvania.

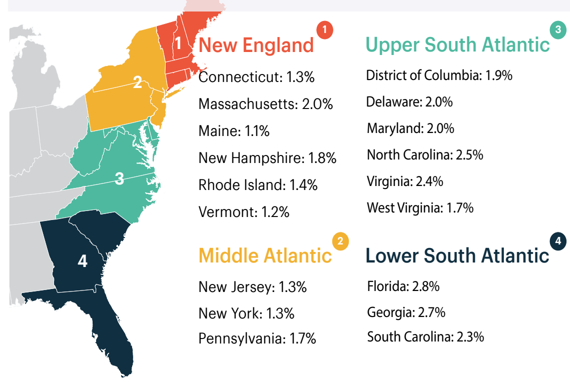
Upper South Atlantic

- The economic fortunes of states in the Upper South Atlantic are mixed. Delaware faces a near-term deterioration in labor market conditions that is likely to weigh on economic activity. Meanwhile, states in the capital region (D.C., Maryland and Virginia) and North Carolina show solid momentum and a rich pipeline of planned business investments. These investments are expected to drive robust gains in employment and housing market appreciation, especially in North Carolina which continues to experience a notable influx of migrants. On net, the region is projected to grow by 2.2% in 2020, edging down to 1.9% in 2021.

Lower South Atlantic

- The economies of the Lower South Atlantic are once again projected to outperform the nation over the forecast horizon with 2020 and 2021 GDP growth of 2.7% and 2.3%, respectively. Leading the charge, Florida's outperformance is fueled by a buoyant labor market, with rising wages, especially at the lower end. International headwinds will see growth slow in South Carolina, but its economy is still projected to post above national growth, as it continues to weather the trade storm.

Real GDP by State Forecast (2020)



Source: TD Economics. Forecast as at December 2019.

For more details on our national forecast see our [Quarterly Economic Forecast]

New England (CT, MA, ME, NH, RI, VT)

Connecticut: Defense industries lend support

After a soft performance in the first half of the year, job growth in Connecticut turned higher in the third quarter (Chart 1). This latest push nudged down the unemployment rate to 3.6%, bringing it on par with the nation. Recent job gains have been concentrated in education and healthcare, but information, arts and entertainment, wholesale and manufacturing have also advanced.

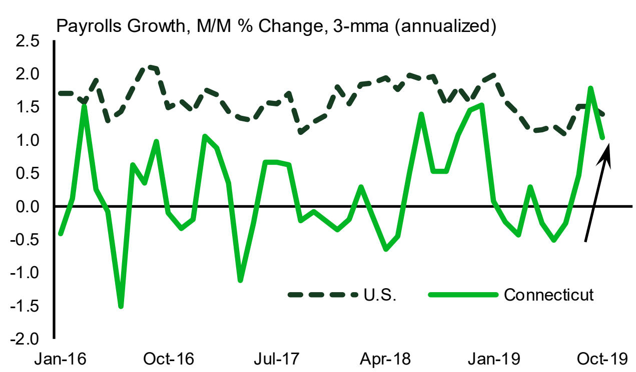
The state's factory sector is proving resilient, thanks in part to its defense tilt. The products produced in the state, which include submarines, helicopters and jet engines, tend to require advanced planning. Based on orders, productions pipelines are set to remain busy for some time. Electric Boat, for instance, is set to build several submarines in the years ahead. To ramp up production, it recently broke ground on a new multimillion-dollar facility that will eventually house 1,400 workers.

A recent report indicates that finding workers remains a top priority for most (60%) state manufacturers, with their focus tilting toward employee training as a result. Protectionist trade measures still pose a risk to the factory sector, particularly as related to the E.U. given links in aerospace. But, overall, the industry is expected to remain a key job and output contributor.

Knowledge-based service industries will lend a helping hand. In the tech space, expansions at Indeed and Infosys, have been followed by others, such as 'GalaxE.Solutions'. The IT firm plans to add hundreds of workers at its new innovation center in the years ahead. Improved access to capital is also helping nurture startup activity. Venture capital funding in the state, while small relative to that of major tech centers, was up over 60% year-on-year to $330M in the first three quarters of 2019. Health-related sectors also hold promise, given the highly-ranked universities and research institutions in the area, and renewed state efforts to boost the bioscience sector. Positive developments on this front include expansions at Tangen (biosciences) and BioXcel (biotech), with the latter unveiling a new AI lab recently. Encouragingly, Alexion Pharmaceuticals, which moved its HQ to Boston two years ago, will also follow through with a $10M lab expansion in New Haven.

Overall, Connecticut's economy is expected to grow by 1.3% in 2020 and just over 1% in 2021, as weak population growth constrains the state's potential.

Chart 1: After a Soft Performance in H1-2019, Job Growth Picked Up Steam in Conn. In Third Quarter



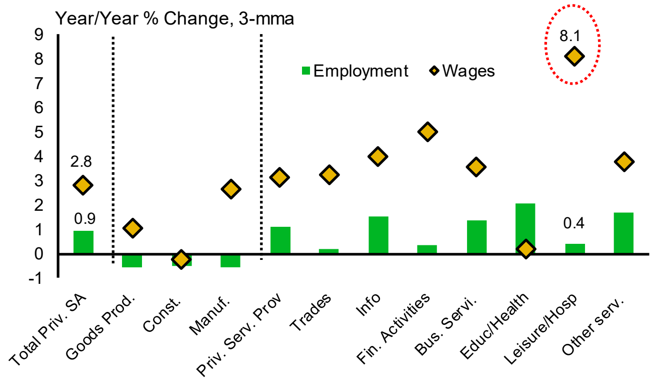
Source: Bureau of Labor Statistics, TD Economics

Massachusetts: Still leading the region

After a successful start to the year, job gains in the Bay State eased in recent months. The unemployment rate has held at 2.9% since July – only a hair above the 2.6% trough seen in 2000. Labor force growth remains positive, but population aging has seen it slow. Competition for workers from neighboring states who face similar demographic challenges, but have cheaper housing, is an added challenge. Domestic out-migration remains elevated, with some 25k residents leaving per year, but international migrants have more than offset these losses. Still, employment growth is expected to ease from 1% this year to 0.7% by 2021.

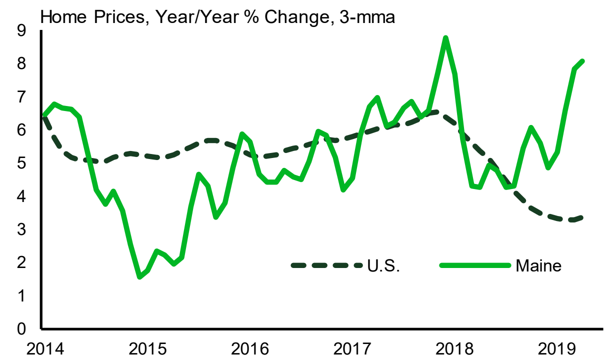
A well-functioning innovation ecosystem that supports the commercialization of research through world-class colleges and incubators, bodes well for the expansion of industries with high-growth potential. The state's tilt toward the biopharma industry, should continue to yield benefits. A new $50M biomedical center from an industry-leading consortium, including Harvard and MIT, will be an added boon for the biomedicine cluster. Prospects remain upbeat for tech more broadly. Several tech firms, such as Amazon, Facebook and Apple, continue to expand, particularly in the talent-rich Boston area. Amazon recently announced a $40M robotics innovation hub – an added vote of confidence for the state's blossoming robotics cluster. MassMutual's recent groundbreaking on a new building in Boston with a capacity of 1,000 workers marks another positive step, with the space to serve as a hub for the insurer's digital and tech initiatives.

Chart 2: Massachusetts Wage Growth Particularly Strong in Leisure & Hospitality Sector



Source: Bureau of Labor Statistics, TD Economics

Chart 3: Maine Home Price Growth Picks Up Steam



Source: CoreLogic, TD Economics

A hot labor market will continue to lend support to consumer-related industries. Wage growth has accelerated in recent months, and is above the national average. Notably, wages are surging in the leisure & hospitality segment, helped along by a sizable minimum wage increase at the start of the year (Chart 2).

On housing, improved affordability is lifting demand, but a shortage of inventory (down 20% year-on-year in October), is holding back home sales. These conditions should lead to more construction over the next several years. In Boston, a rich supply pipeline should continue to keep the metro's price pressures in check.

Overall, the Bay State is expected to lead the region in economic growth, thanks to a prevalence of leading high value-added clusters, such as tech, biopharma and robotics. Even so, growth is set to slow in line with the nation at 2% next year and 1.9% in 2021.

Maine: Short on workers

Maine's unemployment rate broke below its 3.2% historical trough around mid-year and currently stands at only 2.8%. Despite tight conditions, job growth has generally kept pace with the region. But, a shrinking labor force suggests that pressures will mount. Domestic in-migration will continue to provide a lifeline, but we expect job growth to slow to 0.5% next year and further down in 2021. A shortage of workers will challenge many sectors, but productivity gains should continue to provide some offset. Sectors such as manufacturing, health care, tourism and housing should still manage to eke out growth, helping keep the economy's running pace at around 1% over 2020-21.

Overall, Maine has a lower exposure to trade, although some pockets, like the seafood industry, are feeling the effects of the U.S.-China trade war. The state's manufacturing sector is proving resilient however, with payrolls up 2.4% year-to-date versus 1.4% at the national level. Its heavier defense tilt is part of the outperformance. Key shipbuilder, BIW, ramped up hiring this year and plans to add another 1,000 workers next year to fulfil a healthy order pipeline. Large modernization projects at the Portsmouth Naval Shipyard in Kittery will improve maintenance capacity, while also lending a hand to construction activity.

Maine is the oldest state in the country, and only one of two experiencing a natural decline in population. The aging trend is a double-edged sword for healthcare – it will generate demand for health services, but also limit the pool of workers. Shortages of nurses and personal care workers are already pronounced and sectoral job growth has slowed to a crawl. The shortages are likely to spur stronger compensation growth to attract more workers, and should prove supportive to more productive channels such as telehealth. Federal dollars, such as recent grants toward community health centers and the expansion of online health services totaling $5M, should lend a helping hand.

A pick-up in in-migration, healthy income growth and lower mortgage rates are lifting housing demand. But, given tight inventory levels, price growth is accelerating (Chart 3). Fortunately, rising building permits – up 12% year-to-date thanks to a surge in the multifamily sector – point to a more balanced market ahead, and strength in construction. After hitting a speed bump at the end of 2018, construction payrolls have picked up steam, accounting for half of all gains since last December. The residential outlook is positive, but maintaining it will depend on the state continuing to draw in new residents to offset the slowing force of population aging.

Middle Atlantic (NJ, NY, PA)

New York: New economy driving growth

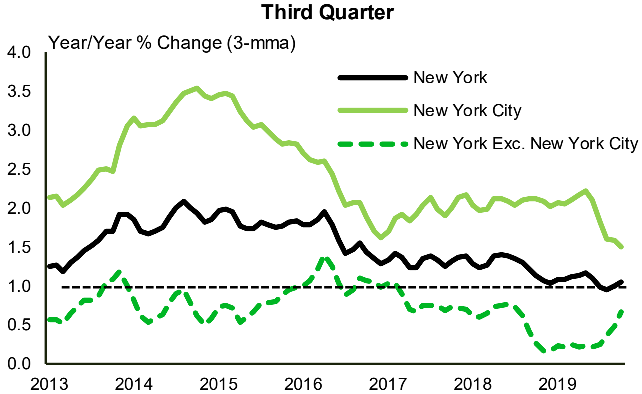
The hiring pace in the Empire State continues to chug along at 1% year-on-year, with areas outside of NYC playing a more central role in job creation recently (Chart 4). After setting a record low of 3.8% in late 2018, New York's unemployment rate has stabilized at a still-tight 4%. Demographic challenges loom large. The state is growing older and seeing residents move to other parts of the country. As such, we expect job growth to slow to 0.5% by 2021 – about half this year's pace.

A shrinking population in NYC is adding to the pressures faced by the housing market. The litany of challenges includes a glut in luxury units, a pullback by foreign buyers and the hit from past federal and (recent) local tax changes. Manhattan prices are well in the red (-5% year-on-year). By comparison, limited inventory levels are keeping some pressure on prices upstate. As NYC takes time to work through the real estate slump, a few large projects should help provide a lifeline to the construction industry. The redevelopment of the JFK airport is a prime example, with $13B in total investments poised to generate thousands of jobs in the years ahead.

Positive developments continue to take shape in new economy clusters, especially in tech, media and medicine. Professional & business services jobs, and research & development in particular, are growing at a solid pace in NYC. The positive trend should extend further out as Facebook, Google, Netflix and Apple continue to expand in the city.

Within tech, prospects appear especially upbeat for cybersecurity and biotech. Strong players, such as Team8, continue to join NYC's initiative to boost the cybersecurity sector. A $100M public-private investment should continue to support the industry's expansion. Major investments in biotech also point to a favorable growth outlook for the cluster. Regeneron's $800M/1500 job investment push has been followed by a $635M investment from Deerfield, which will set up a life science campus in Manhattan (1400 jobs).

Chart 4: NYC Job Gains Slowed to a Crawl in the Third Quarter



Source: Bureau of Labor Statistics, TD Economics

Several important expansions are also planned in upstate New York. Cree Inc. is investing $1B in an advanced manufacturing plant near Utica (600 jobs). In Syracuse, Microsoft is gearing up to open a tech hub, while a $25M investment from JMA Wireless to manufacture 5G electronic components should lead to 100 new jobs.

All told, despite demographic pressures, support from high value-added clusters should allow New York to advance at a moderate clip of 1.2% over 2020-21.

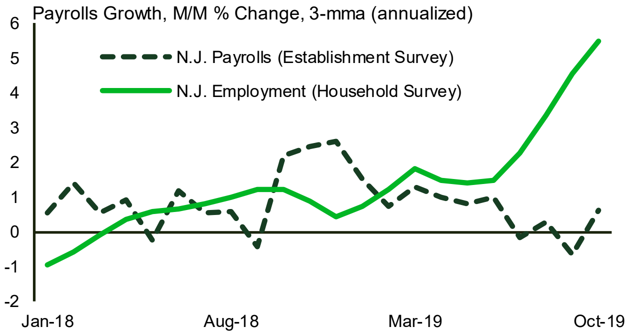
New Jersey: Record-low unemployment

The New Jersey labor market is sending mixed signals. Data from business establishments indicates that payroll growth has slowed notably – a factor that appears to be echoed in reduced optimism among employers heading into 2020. But, the narrative is much sunnier through the lens of workers. On this front, household survey data, which captures N.J.'s large commuter population, points to a strong pickup in employment growth (Chart 5). With residents managing to find jobs at a solid clip (whether within or outside the state), the unemployment rate has held near record lows (3.2%) even as more workers have joined the labor force recently.

A tight labor market is expected to provide support to consumer-related industries. Hiring has been strong in the leisure & hospitality sector, up 4.4% year-to-date (ytd). Low inventories have held back the pace of home sales in 2019, but the housing market is also set to get a boost, helped by low interest rates. Housing permits are up 30% ytd, thanks to gains in the multifamily segment. This has benefitted construction employment, where payrolls are up 4.6%.

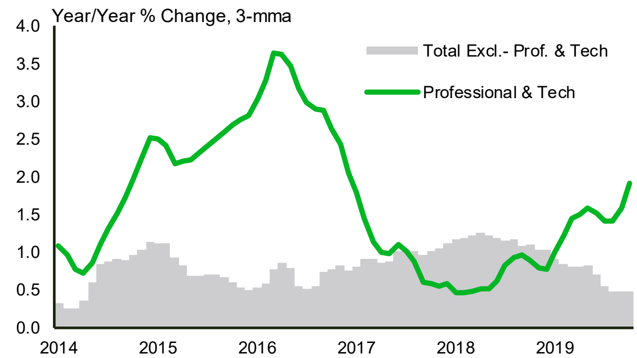
Knowledge-based industries continue to make gains. Healthcare has accounted for a third of all job gains so far this year. Several new hospitals and planned expansions support the sector's positive trajectory. Examples include Inspira's new Mullica Hill hospital and cancer center (350 new jobs), the new RWJ University Hospital and the start of construction for the $800M Valley Hospital.

Chart 5:N.J. Residents Are Finding Work, but Job Growth Within State Borders Has Slowed



*Household survey captures workers that commute to other states for work.
Source: Bureau of Labor Statistics, TD Economics

Chart 6: Job Growth in Professional & Tech Picking Up Steam in Pennsylvania



Source: Bureau of Labor Statistics, TD Economics

The higher value-added branches of medicine should also provide some thrust. New Jersey's tilt toward pharma and biotech means that firms with operations in the state account for an outsized proportion of new U.S. drug approvals (i.e. about 50% in 2017). The industry should continue to benefit from elevated drug approvals. At the same time, expansion plans among three IT firms for 1,200 new jobs combined also point to ongoing gains in tech. New investment ($15M) for phase one of 'SciTech Scity', a massive innovation campus, marks another positive development.

Among the remaining sectors, transportation and warehousing hiring (1.3% ytd) has slowed from its rapid pace in prior years. Recent expansion announcements, such as Uniqlo's warehouse in Phillipsburg (300 jobs) and Amazon's commitment for another fulfillment center, suggest that the industry still has gas in the tank. New Jersey has above-average exposure to goods trade with the E.U. and China, so détente on the trade front is a welcome development. All factors considered, we expect growth in the New Jersey economy of 1.3% in 2020 and 1.2% in 2021.

Pennsylvania: Slower, but still-decent growth

Pennsylvania's unemployment rate fell rapidly in the first half of 2019, hitting a new record low of 3.8%. As more workers have joined the labor force in recent months, the unemployment rate has edged higher to 4.2% – close to where it was at the start of the year. This recent labor force boost will provide added fuel for the employment engine in the near-term. Further out however, a slow-growing and aging population will limit the availability of workers. As a result, economic growth is expected to slow to around 1.7% over the next two years.

This year's deceleration in job growth is partly attributable to a softer performance by the goods-producing sector. Hiring has eased in construction (2.7% ytd) and mining (3.5% ytd), with the latter weighed down by a sluggish energy price environment. The larger manufacturing sector however, has fared worse. Manufacturing payrolls are down 0.8% ytd, despite some modest gains in recent months. The sector's fortunes will ultimately be tied to the trade narrative, but several planned expansions point to a firming of conditions ahead. These include a new manufacturing facility from Keurig Dr. Pepper (380 jobs), along with expansions at Stuffed Puffs, Forms+Surfaces and Hermance, which will create another 300 jobs combined.

The larger services side of the economy will continue to do the heavy lifting in driving economic growth. Prospects remain bright for the professional & tech sector, which has been swimming against the tide on job growth (Chart 6). The sector's acceleration in hiring shows up in both key metros – Pittsburgh and Philadelphia. Several large tech companies, such as Facebook, Uber and Apple, but also smaller ones such as Astrobotic (robotics, 100 jobs) are expanding their operations in Pittsburgh. Philadelphia, meanwhile, is having success in the higher value-added channels of medicine, pharma and biotech, where planned expansions build positive growth momentum.

Consumer-related industries are also poised to grow. Income growth has continued to expand at the same healthy clip as the nation. This is boosting the housing market, where price growth is keeping pace with the nation. Tourism-related sectors should also see some benefit, with the opening of the world's first Cartoon Network hotel (100 jobs) and a major $200M planned expansion at Longwood Gardens (tourist attraction) marking positive impulses in the space.

Upper South Atlantic (DC, DE, MD, NC, VA,WV)

Delaware: The First State stumbles

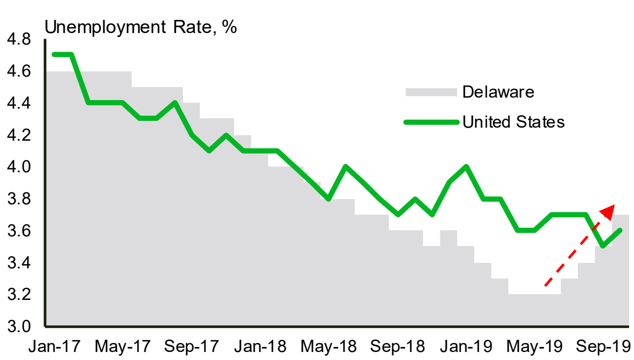
The First State's job market is experiencing a minor slowdown. After hitting a 30-year low this summer, the unemployment rate has trended up over the past four months, hitting 3.7% in October and surpassing the national rate for the first time in nearly two years (Chart 7).

The slowdown is apparent in other data as well. According to the Delaware Department of Labor, 75% of job losers involuntarily left employment, up from under 40% one year ago. At the same time, the share of voluntary job leavers and re-entrants declined to under 20% from over 50% a year ago. The current 3.7% unemployment rate is still below the 3.8% average for 2018, but we expect it to edge higher in 2020.

On the trade front, the tariff war is affecting farmers, retailers and manufacturers in the First State. Tariffs on imported steel goods have dented profit margins for manufacturers who use steel inputs, as the competitiveness of local markets prevented them from passing on the costs to customers. Some Delawarean companies are also hit twice by tariffs – first on intermediate products imported from China, and again by Chinese tariffs when the finished products are exported back there. Delaware's chicken farmers have also been negatively impacted by China's boycott of U.S. poultry products, but are hopeful the ongoing negotiations will yield a resolution to the situation.

While the state deals with the fallout from the trade dispute, prospects continue to look good for the logistics sector. Plans to convert a former GM site to a distribution center was placed on an accelerated timeline after a new developer signed on to the project, and the sector is expected to perform well in the future. Despite the near-term stumble, Delaware is expected to post decent growth of 2.0% for 2020, slowing to 1.6% in 2021.

Chart 7: Delaware's Rising Unemployment Rate Surpasses National for the 1st Time in Almost 2 Years



Source:Bureau of Labor Statistics, TD Economics. Last data point Oct-2019

D.C.-Maryland-Virginia: One year after HQ2

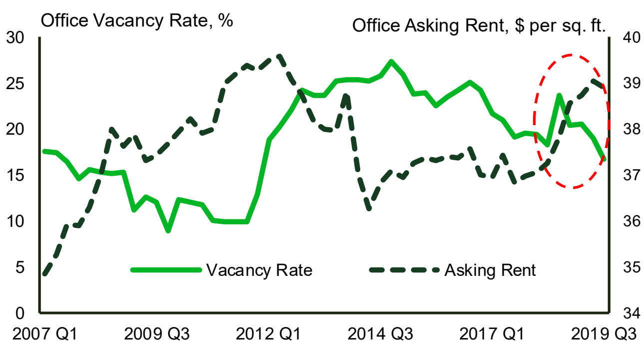
Economic activity in the national capital region has been robust and is likely to remain so as the rollout of Amazon's HQ2 ramps-up. A year after its November 13th site selection announcement, this project is still one of the most significant business investments unfolding in the region and will continue to impact regional economic development for the foreseeable future.

In particular, HQ2 is a key element in both the physical and economic transformation of Arlington County, Virginia. The project has sped-up revitalization of the Crystal City neighborhood in Arlington and has led to the planned redevelopment of several buildings close to Amazon's new headquarter into multi-use complexes containing a mix of residential, retail and office spaces. Construction of these spaces should provide a fillip to economic activity.

Amazon's arrival also continues to exacerbate the housing crunch, sending both rents and selling prices upward. Home prices in Arlington have appreciated by 7.5% since the start of the year, relative to 2.4% nationally and 2.5% for Virginia. There is a lack of affordable housing in neighboring D.C. as well, which has prompted officials in both locations to place even greater emphasis on construction and maintenance of housing units by reexamining zoning laws, density restrictions and funding. To help combat the problem, Amazon recently donated $20 million to fund affordable housing projects.

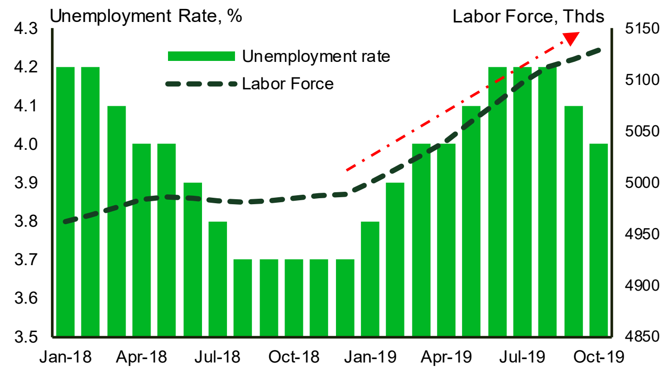
The commercial real estate market is also tightening. Office vacancy rates for the Crystal City submarket in particular, while still elevated relative to historical levels, have started to edge down, while asking rents for office spaces are moving higher (Chart 8). These dynamics are likely to become more pronounced as the Greater Washington area in general, and Northern Virginia in particular, solidifies its place as a top tech talent location. To illustrate, Facebook recently leased 75,000 sq. ft of office space in Northern Virginia. Planned tech talent expansion by George Mason University and Virginia Tech will further add to the appeal of the region as a potential corporate location for technology firms.

Chart 8: Amazon's HQ2 Spurs Redevelopment of Crystal City's Office Market, Nudging Vacancy Rates Down and Asking Rent Up



Source: CoStar, TD Economics

Chart 9: North Carolina's Rising Labor Force Causes Uptick in the Unemployment Rate



Source: Bureau of Labor Statistics, TD Economics

Numerous other business investment projects are also unfolding throughout the region that will boost employment and economic activity. One of the largest will see delivery-van manufacturer, Morgan Olson LLC, investing $57.8 million to outfit a manufacturing plant, which will eventually create over 700 full-time positions. Additional job openings are expected from global health care company GlaxoSmithKline (150 jobs) and multinational technology services firm Wipro Ltd (200 jobs) among others.

The flurry of activity precipitated by Amazon, and the steady flow of other jobs in the pipeline should continue to support labor market gains at a decent clip, underpinning consumer spending and spurring 2020 economic growth of 1.9%, 2.0% and 2.4% in D.C., Maryland and Virginia, respectively.

North Carolina: Buoyant business investment drives rising real estate market

Economic performance of the Tar Heel state has been solid throughout the year and is expected to outpace the national average. Expanding business investment has led to notable job creation and buoyant real estate markets, setting the stage for solid GDP growth of 2.5% and 2.1% in 2020 and 2021, respectively.

The state's tech and life sciences industries, centered in its Research Triangle area, are poised for significant growth as several companies have announced expansion plans. Of note, Q2 Solutions, a genomics company, will be investing $73 million to expand operations in the Triangle, generating over 700 jobs.

Similarly, Charlotte boasts several planned expansions in the tech sector. Microsoft plans to invest almost $24 million to grow its operations there, adding 430 jobs with above-average salaries. This adds to earlier announcements by existing companies such as AvidXchange Inc. and LendingTree Inc., who will be growing their local headquarters. Lowe's will locate the future home of its new $153 million global technology center, in the city, creating more than 1,900 net new jobs. Similarly, newcomers Better.com and Mitsubishi UFJ Financial Group also have plans to invest several millions of dollars to establish operations in the city, creating thousands of new jobs, largely in the fintech sector.

Firms in Orange County are also expanding. Among them, Healthcare IT firm, Well Dot Inc., with plans to invest over $3 million to grow operations and create 400 jobs. This follows announcements by Medline Industries to create 250 jobs and ABB Inc. to create 400 jobs with a near $40 million plant upgrade.

These expansions have created a healthy demand for workers, which raises the appeal of top cities in the state, as a migration destination. Relatively more affordable housing, compared to other top tech destinations, leaves the state poised to reap the benefits of tech workers relocating from more expensive markets. The net effect is that home prices in the state have already accelerated by 4.5% year-on-year in September (national is 3.5%) and are expected to continue growing given strong demand.

The influx of newcomers has also boosted the state's labor force, resulting in an uptick in the unemployment rate (Chart 9). As the numerous projects roll-out, these newcomers are expected to find employment and see the unemployment rate edge down from 4.1% to 4.0% over the next two years.

Lower South Atlantic (SC, FL)

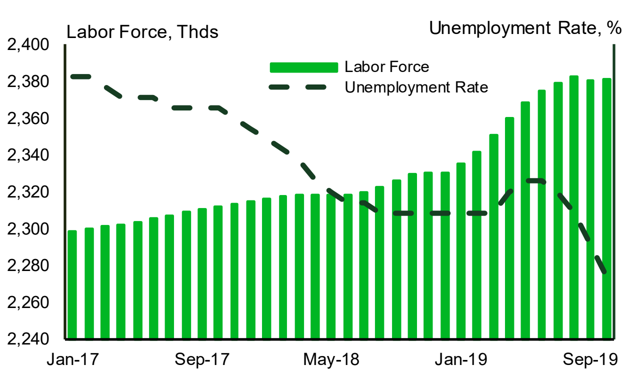
South Carolina: Labor market shrugs off trade uncertainty

The South Carolina economy is nothing if not resilient. The labor market has so far taken global economic turbulence and trade policy uncertainty in stride, with the state's unemployment rate reaching a record low of 2.6% in October – a full percentage point below the national rate (Chart 10). In fact, metro unemployment rates have dipped so low that South Carolina features prominently among the top ten metros with the lowest unemployment rate in the country, with the Charleston area tying for the lowest rate (Chart 11).

The hospitality industry led the charge in terms of job gains (up 8,000), followed by trade, transportation and utilities (up 7,900) and manufacturing (up 6,700). Interestingly, while manufacturing employment has been staid nationally, South Carolina's has risen by 2.7% year-on-year. This feat is even more impressive considering the ongoing trade headwinds, which has embattled South Carolina's advanced manufacturing base centered on the aerospace and automotive industries.

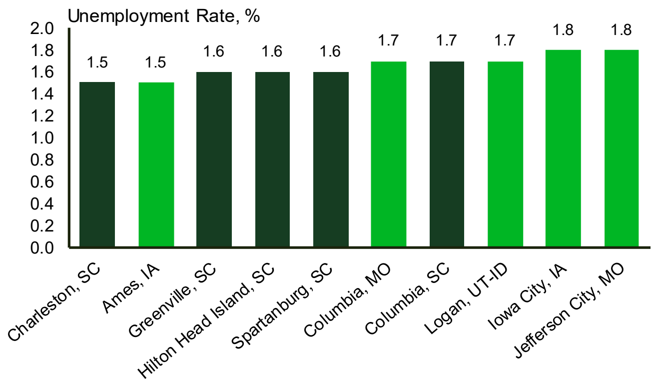
Trade risks continue to remain at the forefront of the economic outlook for the Palmetto State. After months of negotiations, the U.S. and China may have just tentatively struck a phase one trade deal. There is still significant uncertainty surrounding the deal as both sides have yet to formally assent to it. There is also the possibly of re-implementing tariffs in the future if aspects of the agreement are not upheld.

Chart 10: Unemployment Rate Hits Record Low As Labor Force Grows in South Carolina



Source: Bureau of Labor Statistics, TD Economics. Last data point Oct. 2019

Chart 11: South Carolina Metros Among Those With the Lowest Unemployment Rate in the Nation



Source: Bureau of Labor Statistics, TD Economics. Metro names have been abbreviated.

In addition, the ongoing Boeing-Airbus subsidy conflict could result in EU tariffs on U.S. imports (possible items include aircrafts). Though the EU has indicated that a negotiated settlement would be preferred, threats of tariffs is the status quo, the implementation of which would hit South Carolina's aeronautical sector.

This would be unwelcomed news for the sector as Boeing has already announced plans to scale back production of the 787 passenger jet it assembles in North Charleston by two a month starting late next year. With the Boeing 737 MAX aircrafts still grounded and production halted, some of the company's customers are examining purchasing planes from rivals, such as Airbus, which could have long term impacts on Boeing's bottom line and firm-wide production and employment needs.

As with many states in the nation, home prices continued to appreciate in South Carolina (up 3.8% year-on-year in October versus 3.5% nationally), though the pace has been edging down since July. Affordability remains a key concern – a situation that is even more acute in sought-after metros such as Charleston. As affordability is stretched and many first-time buyers find it more difficult to access the market, price growth may have to decelerate further to tap into this demographic.

All told, South Carolina has weathered the storm thus far. The economy is expected to continue its decent showing, growing by 2.3% in 2020 and 2.2% in 2021.

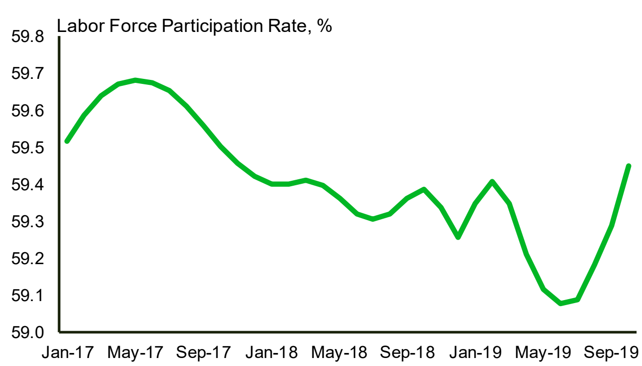
Florida: Competitive labor market benefits low wage workers

By most economic indicators, Florida's economy is booming. The Sunshine State moniker is apt to describe the labor market in particular, as it continues to churn out jobs at an impressive pace. So far in the second half of the year, non-farm payroll employment grew at an average 2.6% pace (year-on-year) relative to 1.5% nationally. With data to October, the education and healthcare industry (which accounts for 13.6% of the state's employed workforce) led the charge, followed by leisure and hospitality (accounting for 12.6% of all jobs).

Not surprisingly, the unemployment rate has continued to trend lower, and at 3.2% is below the national (3.6%) and near a record low. A tight labor market is drawing more people into the workforce, resulting in a notable upswing in the state's labor force participation rate. The participation rate has recovered its recent high after a period of weakness (Chart 12). With several job announcements on the books – including almost 1,000 full-time positions by Concentrix, a customer engagement and business improvement company – this trend is expected to continue.

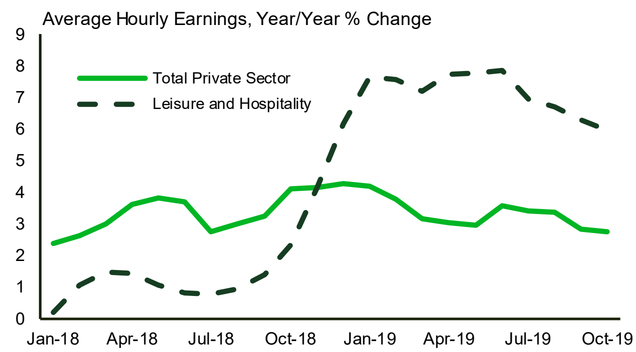
The main damper on Florida's fiery labor market, is the sluggish pace of wage growth. Average hourly earnings for all employees grew by 2.7% year-on-year in October – 0.3 percentage points below the national. The good news is that gains for lower income earners grew at an above average pace, with wage growth in the leisure and hospitality industry leading the pack at 6% year-on-year (Chart 13). These workers saw higher wage growth as many resorts, theme parks, dining and retail outlets and even financial institutions, upped their minimum salaries at the start of the year with additional increases to be phased-in over time.

Chart 12: Labor Force Participation Rate on an Upswing in Florida



Source: Bureau of Labor Statistics, TD Economics. Last data point Oct-2019

Chart 13: Wage Growth among Low Earners in Florida Exceeds That for All Workers



Source: Bureau of Labor Statistics, TD Economics

Fiscal policy in the state is seeking to prioritize education. Governor DeSantis pitched an increase in teachers' salaries in his budget proposal that would raise the starting salary 26%. Florida is currently ranked 46th in the U.S. for public school teacher salaries. The raise would impact more than 101,000 current teachers. If passed, the boost in income would fuel greater consumer spending, underpinning economic activity.

With solid population growth, Florida's real estate market is projected to remain buoyant, particularly in lower priced market segments where there is a dearth of available properties. Additionally, recent changes in U.S. immigration requirements involving the EB-5 Investors Visa, may affect the flow of immigrant investor capital to developers in Florida's real estate market. This may limit new construction projects, resulting in further inventory tightening.

At 101 million visitors as of the third quarter of this year, the state's key tourism industry is also on pace to set an annual record this year, topping last year's outturn of over 126 million visitors. The $2 billion south terminal expansion to Orlando International Airport, is currently boosting construction activity in the state and is expected to boost tourism once completed.

Overall, the prospects for the Sunshine State are bright, with economic growth projected to average 2.8% in 2020, before decelerating to 2.3% in 2021.

TD State Forecasts															
	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
National	**2.3**	**2.0**	**1.9**	**1.6**	**1.1**	**0.7**	**3.7**	**3.7**	**3.7**	**3.4**	**3.8**	**3.8**	**0.6**	**0.7**	**0.7**
New England	**2.2**	**1.7**	**1.6**	**0.9**	**0.8**	**0.5**	**3.1**	**3.0**	**3.1**	**3.2**	**3.3**	**3.4**	**0.3**	**0.3**	**0.3**
Connecticut	1.6	1.3	1.1	0.4	0.5	0.3	3.7	3.6	3.8	0.1	1.4	2.1	0.1	0.1	0.1
Massachusetts	2.5	2.0	1.9	1.0	0.9	0.7	3.0	2.9	3.0	3.2	3.9	3.9	0.5	0.4	0.4
Maine	1.7	1.1	1.0	0.7	0.5	0.2	3.1	2.7	2.8	6.2	3.2	3.1	0.2	0.2	0.2
New Hampshire	2.5	1.8	1.7	1.5	0.9	0.5	2.5	2.5	2.4	5.1	3.9	3.6	0.6	0.6	0.6
Rhode Island	2.4	1.4	1.1	1.0	0.6	0.2	3.7	3.6	3.7	4.0	3.3	3.4	0.1	0.1	0.0
Vermont	2.2	1.2	1.2	0.8	0.5	0.3	2.2	2.2	2.3	3.4	3.2	2.9	0.3	0.2	0.2
Middle Atlantic	**1.9**	**1.4**	**1.2**	**0.9**	**0.7**	**0.5**	**3.9**	**3.9**	**4.0**	**1.8**	**2.5**	**3.3**	**0.1**	**0.1**	**0.1**
New Jersey	1.5	1.3	1.2	1.0	0.7	0.6	3.5	3.3	3.6	1.9	1.9	2.7	0.3	0.3	0.3
New York	1.9	1.3	1.1	1.1	0.8	0.5	4.0	4.0	4.1	0.8	2.2	3.4	-0.1	0.1	0.1
Pennsylvania	2.2	1.7	1.6	0.7	0.7	0.4	3.9	4.0	4.1	3.7	3.5	3.4	0.1	0.1	0.1
Upper South Atlantic	**2.2**	**2.2**	**1.9**	**1.1**	**1.5**	**1.3**	**3.7**	**3.8**	**3.8**	**3.3**	**3.3**	**3.6**	**0.7**	**0.9**	**0.9**
District of Columbia	1.8	1.9	1.7	0.9	1.3	1.2	5.5	5.5	5.6	2.7	4.0	4.0	0.9	1.0	1.0
Delaware	1.8	2.0	1.6	1.0	1.3	0.9	3.4	3.5	3.6	1.6	3.0	3.4	1.0	0.9	0.9
Maryland	1.6	2.0	1.8	0.5	1.1	1.0	3.8	3.8	3.8	2.0	2.0	3.1	0.3	0.5	0.5
North Carolina	2.7	2.5	2.1	1.8	1.9	1.5	4.1	4.1	4.0	4.5	3.9	4.0	1.2	1.3	1.3
Virginia	2.3	2.4	2.1	0.9	1.6	1.4	2.9	3.1	3.2	3.4	3.5	3.7	0.8	0.9	0.9
West Virginia	1.9	1.7	1.2	1.3	0.2	0.3	4.8	4.7	4.8	3.5	3.3	2.7	-0.7	-0.7	-0.7
Lower South Atlantic	**2.9**	**2.7**	**2.3**	**2.2**	**2.3**	**1.8**	**3.5**	**3.5**	**3.7**	**4.5**	**4.3**	**4.4**	**1.4**	**1.4**	**1.4**
Florida	3.0	2.8	2.3	2.5	2.4	1.9	3.4	3.5	3.6	4.4	4.4	4.4	1.5	1.6	1.6
Georgia	2.6	2.7	2.3	1.8	2.1	1.6	3.7	3.7	3.8	5.0	4.2	4.5	1.1	1.2	1.2
South Carolina	2.9	2.3	2.2	1.7	1.9	1.9	3.3	3.3	3.5	4.0	3.6	3.9	1.2	1.2	1.2

Source: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as at December 2019.

Disclaimer